

# EXECUTIVE SECRETARIAT

## Routing Slip

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
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6	DDA				
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9	Chm/NIC				
10	GC				
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12	Compt				
13	D/EEO				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
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SUSPENSE

Date

Remarks:

Executive Secretary

5/6/82

Date

3537 (10-8-77)

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## I. ISSUE

It is in the national security interests of the United States to encourage our allies to lessen their dependence on insecure and unstable sources of energy and to stress actions necessary by them to increase coal use, production, and trade. These actions include: (1) the signing of long-term contracts to induce investment in new mines, rail transportation, and new port capacity, (2) allowing the operation of market forces by reducing and/or eliminating trade and price barriers which restrict coal imports, and (3) encouraging foreign equity participation in existing and new production and transportation facilities.

## II. ESSENTIAL FACTORS

Coal is an economical energy alternative available in quantity from reliable Western sources. With one-quarter of the world's known coal reserves, the United States is uniquely positioned to become the world's leading supplier of coal to foreign markets. The President's Coal Export Policy Statement illustrates the U.S. commitment to increase coal production, use, and trade.

At the moment, however, the economic recession coupled with the soft oil market have temporarily deflated coal demand and slowed investment in coal-burning facilities. In addition, some Summit countries still pursue policies which in effect restrict coal imports. Germany, for example, protects its coal industry, which it regards as a strategic source of supply, by a system of import quotas and subsidies.

Our Summit partners can be expected to criticize what they see as a U.S. reluctance to take concrete measures to reduce the delivered cost of our coal, and are likely to cite our unwillingness to shoulder the costs of port dredging as an example. (The French and Dutch already have major dredging projects underway.)

## III. TALKING POINTS

Criticism: U.S. harbors should be dredged to accommodate larger vessels.

Response: Legislation is currently before the U.S. Congress which would allow market forces to determine which ports are most economically suitable for deepening. However, expansion of handling capacity has first priority.

This Administration believes that port expansion costs should be borne by private industry, which is now investing heavily in capacity expansion projects. Moreover, firm long-term commitments from foreign buyers are necessary to sustain a market environment conducive to continued investment in necessary facilities.

Criticism: The United States is not a reliable supplier of coal.

Response: The United States has never failed to deliver coal under contract even during strikes. The delays and bottlenecks at U.S. ports during 1980 have been eliminated by the advanced ship loading registration system developed by the railroads.